

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 18, 2018

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Chair Ron Sanders called the TRS Board of Trustees to order at 12:30 p.m., Monday, June 18, 2018, in the boardroom of the Teachers' Retirement System of the State of Kentucky, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Ron Sanders, Chair
Mary Adams
Frank Collecchia
Hollis Gritton
Brenda McGown
Joshua Underwood
Charles Harman, proxy for Commissioner of Education
OJ Oleka, proxy for State Treasurer

Others present:

Gary L. Harbin, Teachers' Retirement System
Robert Barnes, Teachers' Retirement System
Tom Siderewicz, Teachers' Retirement System
Karen Ashby, Teachers' Retirement System
Mark Whelan, Teachers' Retirement System
Nate Van Sickle, Teachers' Retirement System
Jane Gilbert, Teachers' Retirement System
Felicia Penn, Teachers' Retirement System
Teresa Sanders, Office of the State Budget Director
Chuck Truesdell, Legislative Research Commission
Jonathan Eakin, Legislative Research Commission
Betty Pendergrass, Kentucky Retirement Systems
Steve Starkweather, Office of Financial Management
Tim Abrams, KRTA
Margaret Sims, KRTA
Jean Chapman, KRTA
Harold Wilson, KRTA
Steve Gillespie, KRTA

1. Reports for Consent: Chair Sanders reviewed the draft minutes of the March 19, 2018, meeting and asked the board to act on the minutes.

Board Action: The board considered the minutes of the Quarterly Meeting of the Board of Trustees held on March 19, 2018. Upon motion duly made by Ms. Adams and seconded by Mr. Gritton, the minutes were unanimously approved by the board as written.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits and Refunds: Mr. Barnes reported to the board regarding benefit payments. Chair Sanders asked the board to act on the report of benefit payments.

Board Action: Upon motion duly made by Mr. Collecchia and seconded by Ms. McGown, the applications for retirement and annuity, survivor benefits, life insurance benefits and refunds were approved by the board as reported.

Interim Financial Statements: The board considered the report on the Interim Financial Statements for the quarter ended March 31, 2018. The report was informational, and the board took no action on the Interim Financial Statements.

2. Standard Annual Board Actions

2.1. Report of Results of Trustee Election: Mr. Harbin reported to the board concerning the results of the elections for an active teacher trustee position and a lay trustee position. The election was held in May 2018, and Dr. Wayne Lewis, interim commissioner of the Department of Education, certified the results on June 11, 2018. A copy of the letter certifying the results of the election is incorporated into the minutes.

Lynn Patterson was elected as the active teacher trustee. Her term of office will be July 1, 2018, through June 30, 2022. Hollis Gritton was re-elected as the lay trustee. His term of office will be July 1, 2018, through June 30, 2022.

2.2. Election of 2018-2019 Board Chair and Vice Chair: Mr. Harbin reported that KRS 161.340 provides that the board shall elect from its membership a chair and a vice chair on an annual basis.

Nominations for Chair and Vice Chair of the Board: Mr. Harbin asked for nominations for the position of chair and vice chair of the board for fiscal year 2018-2019. Ms. Adams nominated Ron Sanders to serve as chair, and Ms. McGown nominated Alison Wright to serve as vice chair. Mr. Harbin called for other nominations.

Board Action: Upon motion duly made by Ms. Adams and seconded by Ms. McGown, the board voted to elect Ron Sanders as chair of the TRS Board of Trustees for fiscal year 2018-2019. Mr. Sanders abstained from voting.

Board Action: Upon motion duly made by Ms. McGown and seconded by Mr. Collecchia, the board voted unanimously to elect Ms. Wright as vice chair of the TRS Board of Trustees for fiscal year 2018-2019.

2.3. 2018-2019 Committee Appointments: Mr. Harbin reported to the board concerning the standing committees of the board. Mr. Harbin asked members to contact Chair Sanders to express interest in serving on any particular committees.

2.4. Board Appointment of Investment Committee: Mr. Harbin reported to the board concerning the appointment of board members to the Investment Committee. Mr. Harbin referenced information in the memorandum set forth under Tab 2.4. of the materials provided to the board. Mr. Sanders asked for questions or comments. Mr. Sanders asked the board to act on the appointment of board members to the Investment Committee.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Mr. Harman, the board voted unanimously to appoint Ron Sanders (chair), John Boardman, Frank Collecchia, Hollis Gritton, Brenda McGown, Josh Underwood and Alison Wright to the Investment Committee; and Laura Schneider and Lynn Patterson as alternate members.

Board Action: Upon motion duly made by Mr. Underwood, and seconded by Mr. Collecchia, the board voted unanimously to appoint as investment experts Bevis Longstreth and George Philip to serve on the Investment Committee for the period from July 1, 2018, through June 30, 2019.

2.5. Resolution Regarding Purchases or Sales of Investment Instruments: Mr. Harbin reported to the board concerning the resolution regarding the purchases and sales of investment instruments. Mr. Harbin referenced information in the memorandum set forth under Tab 2.5. of the materials provided to the board.

Board Action: Upon motion duly made by Mr. Collecchia, and seconded by Ms. Adams, the board voted unanimously to adopt the following resolution to confirm the authority granted to the executive secretary and the chief investment officer to execute purchases or sales of investment instruments on behalf of the board.

“BE IT RESOLVED, by the Board of Trustees of the Teachers’ Retirement System of the State of Kentucky, that the Executive Secretary or Chief Investment Officer, be and hereby are authorized and empowered to execute purchases or sales of all investment instruments in the name of, or belonging to, the Teachers’ Retirement System of the State of Kentucky, or in its nominee name “KENTRES,” in any capacity and includes all investment instruments of the retirement system provided for in KRS 161.220 to 161.716 and KRS 161.990 whether designated pension, life insurance, medical insurance fund or the Kentucky Teachers’ Retirement System insurance trust fund.”

2.6. Transfer of Interest: Mr. Harbin reported to the board that KRS 161.440 requires that a transfer of interest be made from the Guarantee Fund to other funds, except the Expense Fund and Medical Insurance Fund.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act and direct the executive secretary to transfer interest as required by KRS 161.440.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Mr. Collecchia, the board unanimously issued the following directive:

“In accordance with KRS 161.440, the Executive Secretary is authorized and directed to credit the required interest on average monthly balances to (1) Teachers’ Savings Fund, (2) State Accumulation Fund and (3) Allowance Reserve Fund, such credits to be transferred from the Guarantee Fund and credited on July 1, 2018.”

2.7. Transfer of Reserve Funds: Mr. Harbin reported to the board that KRS 161.420 requires TRS to transfer an amount equal to the accounts of members retiring on July 1, along with an equal amount from the State Accumulation Fund, to the Allowance Reserve Fund each year. In addition, sufficient sums must be transferred during the year at the time of retirement of individual teachers.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to consider the recommendation of the executive secretary.

Board Action: Upon motion duly made by Mr. Harman and seconded by Ms. McGown, the board unanimously issued the following directive:

“The Executive Secretary is directed to determine the aggregate amount of the accumulated accounts of teachers retiring during 2018-2019 and to transfer from the Teachers’ Savings Fund to the Allowance Reserve Fund a sum equal to that amount; and further, to transfer a matching amount from the State Accumulation fund to the Allowance Reserve Fund, both of which transfers are authorized by KRS 161.420(2), and (3).”

2.8. 2018-2019 Administrative Expense Fund Budget: Mr. Harbin reported to the board on the 2017-2018 and proposed 2018-2019 Administrative Expense Fund Budget.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report by the executive secretary.

Board Action: Upon motion duly made by Mr. Underwood and seconded by Mr. Collecchia, the board unanimously voted to approve the 2018-2019 Administrative Expense Fund Budget as presented.

2.9. IRC Section 415(b) Limit: Mr. Harbin reported to the board that KRS 161.611 authorizes a supplemental retirement benefit plan for the sole purpose of enabling TRS to apply the same formula for determining benefits payable to all members of the retirement system whose benefits under the retirement system are limited by Section 415 of the Internal Revenue Code. This plan requires annual transfers from employer contributions to fund the limited benefit.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to consider the recommendation of the executive secretary.

Board Action: Upon motion duly made by Ms. Adams and seconded by Mr. Collecchia, the board unanimously voted to authorize the executive secretary to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2018-2019.

2.10. Personnel Matters: Mr. Harbin reported the TRS Employee Compensation Plan provides that all employees eligible for annual salary increments shall receive increments equal to the percent funding available for state employees that is provided in the budget approved by the General Assembly. In the 2018 Regular Session of the General Assembly a budget was passed that provides for no state employee annual increments. Therefore, the executive secretary requests authorization from the Board of Trustees to approve normal salary advancements that will maintain salary increments for TRS employees equal to that received by state employees, as provided by the system's Employee Compensation Plan, during fiscal year 2018-2019.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to consider the recommendation of the executive secretary.

Board Action: Upon motion duly made by Mr. Collecchia and seconded by Ms. Adams, the board unanimously voted to approve normal salary advancements that will maintain salary increments for TRS employees equal to that received by state employees, as provided by the system's Employee Compensation Plan, during fiscal year 2018-2019.

3. Report of the Investment Committee: Mr. Siderewicz reported to the board concerning the activities of the Investment Committee and investment performance for the quarter ended March 31, 2018 and the special meeting of the Investment Committee held on May 24, 2018.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report by Mr. Siderewicz.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Mr. Collecchia, the board voted unanimously to accept and ratify the report of the Investment Committee.

4. Report of the Governance and Audit Committee: Mr. Harbin reported that the Governance and Audit Committee met in special session on June 14, 2018. The Governance and Audit Committee took the following actions:

- Consideration of contract service providers
- Proposed contract renewals
- Report of the internal auditor

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report of the Governance and Audit Committee.

Board Action: Upon motion duly made by Mr. Collecchia and seconded by Ms. McGown, the

board voted unanimously to contract with Blue & Co. for external auditor services for fiscal year 2018-2019.

Board Action: Upon motion duly made by Mr. Harman and seconded by Mr. Underwood, the board voted unanimously to contract with Cavanaugh Macdonald Consulting for actuarial services for fiscal year 2018-2019; contract with Ice Miller, Williams & Jensen and Reed Weitkamp Schell & Vice for legal services for fiscal year 2018-2019; contract with both Reed Weitkamp Schell & Vice and Stoll Keenon Ogden for legal services for fiscal year 2018-2019; contract with AC Advanced Cleaning Services for janitorial services for fiscal year 2018-2019; and contract with SouthEast Printing and Mailing for printing services for fiscal year 2018-2019.

Board Action: Upon motion duly made by Mr. Collecchia and seconded by Ms. Adams, the board voted unanimously to renew the contracts for Aon Hewitt Investment Consulting; Bevis Longstreth and George Philip, investment experts; and Ice Miller and Reinhart Boerner Van Deuren for investment legal counsel for fiscal year 2018-2019.

Board Action: Upon motion duly made by Mr. Harman and seconded by Mr. Collecchia, the board voted unanimously to accept and ratify the report of the internal auditor.

5. Report of the Insurance Committee: Mr. Harbin reported that the Insurance Committee met in special session on June 18, 2018, prior to the quarterly meeting of the Board of Trustees. The Insurance Committee took the following action:

- Authorized paying the dependent subsidy for all retired teachers who qualify for participation in the KEHP for the last six months of plan year 2018 (July 1, 2018, through December 31, 2018).

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report of the Insurance Committee.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Ms. McGown, the board voted unanimously to authorize paying the dependent subsidy for all retired teachers who qualify for participation in the KEHP for the last six months of plan year 2018 (July 1, 2018, through December 31, 2018).

6. Executive Secretary's Observations and Comments: Mr. Harbin reported to the board on the number of retirements; activities of the Public Sector Healthcare Roundtable; recent meetings of the executive secretary; TRS winning the SALGBA Challenge for innovation in health care for the personalized medicine pilot project; and Mark Whelan being appointed to the Government Finance Officer Association Committee on Retirement and Benefits Administration. The executive secretary's report was informational, and the board took no action.

Resolution Honoring Beau Barnes: Dr. Tom Shelton, executive director of the Kentucky Association of School Superintendents, presented a resolution to Beau Barnes in recognition of his "... work and support on behalf of Kentucky school districts."

Resolutions Honoring Mary Adams: Mr. Harbin read a resolution recognizing Mary Adams for her service on the Board of Trustees. A copy of the resolution is incorporated into the minutes.

Adjournment: There being no further business to come before the board, and upon motion duly made by Mr. Gritton and seconded by Mr. Collecchia, and by unanimous consent of the board, Chair Sanders declared the meeting adjourned at 1:56 p.m.

CERTIFICATIONS

We, the chair and the executive secretary of the Board of Trustees of the Teachers' Retirement System of the State of Kentucky, do certify that the Minutes of Meeting were approved by the board on September 17, 2018.

Ron Sanders, Chair

Gary L. Harbin, Executive Secretary

I, Robert B. Barnes, do certify adherence to the Kentucky Open Meetings Act, KRS 61.800 et seq., in the conduct of this meeting. I have reviewed the minutes for form, content and legality.

Robert B. Barnes, Deputy Executive Secretary
and General Counsel

I, Felicia Penn, do certify that I was present at the meeting and duly recorded the actions of the Board of Trustees of the Teachers' Retirement System of the State of Kentucky at its meeting on June 18, 2018.

Felicia Penn
Recording Secretary